



August 20, 2018

Professional Ethics Executive Committee
Professional Ethics Division
American Institute of Certified Public Accountants
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Via Email to Ethics-ExposureDraft@aicpa-cima.com

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Re: Comments on Exposure Draft, Proposed Interpretation Disclosing Client Information in Connection with a Quality Review, AICPA Professional Ethics Division dated June 20, 2018

Dear Committee Members:

Grant Thornton LLP ("Grant Thornton") appreciates the opportunity to comment on the American Institute of Certified Public Accountants ("AICPA") Professional Ethics Executive Committee's ("PEEC") June 2018 Exposure Draft ("Exposure Draft"), which proposes interpretation "Disclosing Client Information in Connection with a Quality Review" (ET sec. 1.700.110).

Grant Thornton agrees with PEEC's proposal to expand the instances in which members may disclose confidential client information without the client's specific consent and provide explicit provisions of relief for quality reviews, such as tax practice quality reviews, conditioned on the member meeting certain requirements.

While Grant Thornton supports the proposed standard set forth in the Exposure Draft, we have provided the following comments for PEEC's consideration.

General Comments

Grant Thornton suggests that PEEC consider providing illustrative example scenarios and frequently asked questions to assist in the application of the new interpretation.

Request for Specific Comments

Below are Grant Thornton's specific comments – as requested in the Exposure Draft.

Question 1: Is it clear that the proposal is applicable to quality reviews as described by Treas. Reg. 7216, which includes voluntary tax practice reviews, and similar reviews that would be subject to Treas. Reg. 7216?

Grant Thornton believes that it is clear that the proposed interpretation is applicable to quality reviews as described by Treasury Regulation 301.7216-2(p) (the “Regulation”). However, Grant Thornton believes PEEC should further consider whether it is appropriate to use of a specific reference to the Regulation in the proposed interpretation rather than focusing in the interpretation text on the principles themselves. Focusing on the principles themselves is preferable than reference to a specific IRS regulation. When using a specific reference, such as Treasury Regulation 301.7216-2(p), there is risk that the reference may become outdated or obsolete should the regulation be renumbered or amended in the future. To correct the reference, Grant Thornton suggests that the proposed interpretation instead reference “the principles under Treasury Regulation 301.7216” and then describe them in the interpretation itself.

As a result, we believe the guidance included in the proposed interpretation should include the more expansive prohibitions described in the Regulation. For example, subsection .03 of the proposed interpretation references the Regulation as it relates to the explicit prohibition of reviewers using the review to their advantage or disclosing any confidential client information. While such prohibition is similar to the Regulation, the Regulation prohibits disclosure or use for any purpose, not just for the purpose stated in the proposed interpretation. Grant Thornton believes the prohibitions in the proposed interpretation should be more expansive, similar to the Regulation.

Lastly, while the Regulation sets forth the requirements for a quality review, peer review or other similar review, we believe such requirements should be underscored within the proposed interpretation by adding, for example, that disclosure should only be to the extent necessary for a peer review and the member should maintain a record of the review sufficient to identify the disclosed information, the third party and the purpose of the review.

Question 2. Is it clear that confidential state and local tax information is included in the scope of confidential client information addressed by the proposed interpretation? Is it clear that the requirements of Treas. Reg. 7216 would apply to that information in the context of the proposed standard?

Grant Thornton suggests clarifying language be added to the interpretation to clearly indicate that the principles of the Regulation are intended to also be applied to confidential tax information of all types (federal, state, local as well as all types of returns) regardless of jurisdiction.

Question 3. Do you agree that a confidentiality agreement should be recommended as an additional safeguard if the member determines it is necessary instead of being a required safeguard for all quality reviews?

Grant Thornton agrees that a confidentiality agreement should be recommended as an additional safeguard if the member determines it is necessary instead of being a required safeguard for all quality reviews.

Question 4. Do you recommend the consideration of any other safeguards in paragraph .02?

Grant Thornton believes the safeguards identified in paragraph .02 are the most appropriate safeguards available and has no additional recommendations.

Question 5. Do you foresee any hardships or obstacles to implementation of the proposed standard?

Grant Thornton does not foresee any hardships or obstacles to implementation of the proposed standard.

We would be pleased to discuss our letter with you. If you have any questions, please contact Anna Dourdourekas, National Partner in Charge, Ethical Standards, at Anna.Dourdourekas@us.gt.com or (630) 873-2633.

Very truly yours,

Grant Thornton LLP